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U.S. DEPOSITORY

WORLD COTTON PROSPECTS

(July and August Issues)

Summary

The world supply of all cotton will probably not be very materially different from that of 1934-35 since the probable increase in production may be offset by the reduction in carry-over. Present indications are that world cotton production in the current (1935-36) season will be substantially larger than in 1934-35. Despite unfavorable weather in a number of foreign producing countries it now appears that total foreign acreage and production will be larger than last season and in the United States the crop is forecast at a figure 2,162,000 bales larger than last year. Although the 1935-36 domestic crop will be larger than last season it will still be about one-fourth smaller than average. Foreign production will reach a new high level and be much larger than average if weather conditions are approximately normal for the remainder of the season. The world's carry-over of cotton, however, has been reduced by about 2,900,000 bales.

World consumption of all cotton in the season just ended was about the same as in the previous season and slightly larger than the 10-year average. Consumption of American cotton, however, decreased about 2,350,000 bales from the previous season and was about 2,275,000 bales below average. Mill consumption of foreign growths increased approximately 2,350,000 bales over 1933-34 and exceeded world consumption

of American by 2,800,000 bales. During the 10 years ended 1932-33 world mill consumption of American exceeded that of foreig growths by approximately 3,000,000 bales.

Exports of American cotton for the season just ended amounted to about 4,800,000 running bales which was about 2,700,000 bales less than a year earlier and 3,100,000 bales less than the 10-year average. Foreign consumption of American cotton, however, amounted to almost 6,100,000 bales, stocks of American having been reduced more than 1,200,000 bales.

The cotton textile situation on the Continent of Europe as a whole remained about unchanged during June but in July both sales and mill activity for the Continent as a whole apparently declined. The increased sales and activity in Italy, France, and Belgium which began in April continued in June and remained favorable in Italy and Belgium in July. In Germany and Czechoslovakia mill activity slackened somewhat in June and July. In Japan cotton yarn production in July was about 12 percent lower than the peak of last November and December and cloth exports in June were 26 percent below the peak of last March. Cotton mill activity and yarn prices in China declined to very low levels in June and early July; yarn prices reached the lowest level on record for the past 15 years and Chinese mills in Shanghai were operating at only 50 percent of capacity and Japanese mills in that area at 85 percent of capacity. Activity in Shanghai remained low in July and early August. In the Shantung area, however, both the Chinese and the Japanese mills were operating at about full capacity.

Prices

On May 31, the price of Middling 7/8" cotton in the 10 designated markets dropped about one half cent per pound to 11-1/2 cents, but by June 6 had recovered to 12 cents. Throughout the remainder of June domestic prices fluctuated within a range of about one-fourth of a cent per pound but in early July advanced to almost 12-1/2 cents and in the third and fourth weeks of July weakened somewhat but remained above 12 cents, and averaged 12.22 cents for the month. In July 1934 the average price in the 10 designated markets was 12.58 cents, but, with this exception, the price in July this year was the highest for this month since 1930. In the first part of August cotton prices declined to about 11-1/4 cents but by August 17 had recovered to 11.62 cents. Following the announcement on August 22 that the Government would loan only 9 cents on the 1935 crop but guarantee the farmers a price of at least 12 cents for cotton, Middling 7/8 inch and better, the average price in the 10 markets declined to 10.59 cents on August 24.

The price of American cotton in Liverpool during July weakened somewhat relative to Indian. The price of three types of Indian cotton during the month of July averaged 77.8 percent of the price of American Middling and Low Middling, compared with 76.4 percent in June and 76.5 percent in May.

Stocks and Movement

Exports

Exports of American cotton in June and July continued below the like period a year earlier. Total shipments to all countries in June and July amounted to about 622,000 bales compared with 765,000 bales in these 2 months last year. For the season as a whole, exports totaled 4,795,000 bales compared with 7,534,000 bales in 1933-34 and an average for the 10 years ended 1932-33 of 7,900,000 bales.

Carry-over of American cotton

On the basis of the world supply of American cotton for the 1934-35 season and its estimate of world consumption, the New York Cotton Exchange Service estimates that the world carry-over of American cotton on August 1 this year amounted to approximately 9,000,000 running bales. This figure, which is subject to revision, represents a decline of approximately 1,750,000 bales from the Cotton Exchange Service estimate of the carry-over on August 1 last year, but is about 2,000,000 bales larger than the average for the 10 years ended 1932.

The Bureau of the Census in a preliminary report released August 16, placed the carry-over of American cotton in the United States at 7,138,000 running bales. This, together with the above estimate of the world total, indicates that the carry-over of American cotton in foreign countries on August 1 this year was approximately 1,800,000 bales, a decline of about 1,200,000 bales from August 1, 1934.

Carry-over of foreign cotton

The New York Cotton Exchange Service estimates that the world carry-over of foreign-grown cotton on August 1 this year amounted to about 4,400,000 equivalent bales of approximately 478 pounds, compared with 5,600,000 bales a year earlier and 4,500,000 bales in 1933. A large part of the decline in the carry-over of foreign cotton from 1934 to 1935 was due to the decline in the stocks of Indian cotton although there was some decline in Egyptian. Stocks of Sundries growths were slightly larger than on August 1, 1934.

Textile Situation

World consumption, 1934-35

World consumption of American cotton in the season just ended amounted to about 11,300,000 running bales, according to a preliminary estimate of the New York Cotton Exchange Service. This represents a decline of about 2,366,000 bales from the 1933-34 season and with the exception of 1930-31 was the smallest since 1923-24. The 1934-35 world consumption of American cotton was about 2,275,000 bales or 17 percent less than the average for the 10 years ended 1932-33.

The marked decline in the consumption of American cotton during the past season was almost entirely offset by an increase in mill consumption of foreign-grown cotton, the total mill consumption of all cotton remaining practically unchanged. Total mill consumption of foreign cotton for the season amounted to 14,150,000 bales (of 478 pounds), according to the New York Cotton Exchange Service, compared with 11,792,000 bales in 1933-34 and an average for the 10 years, 1923-24 to 1932-33 of 10,300,000 bales. The past season and the 1930-31 season are perhaps the only 2 years for many decades in which mill consumption of foreign cotton exceeded that of American. During the above 10 years, world mill consumption of American averaged approximately 3,000,000 bales larger than that of foreign growths.

United States

Domestic cotton consumption in June amounted to 386,000 running bales, and in July to 392,000 bales, according to the Bureau of the Census. Consumption in these 2 months represented an increase of about 55,000 bales or 8 percent over consumption in June and July last year, but is considerably smaller than average consumption for these months and averaged 17 percent less than consumption in May. Despite the decline in consumption, trade reports indicate that manufacturers' sales for the 2 months as a whole were probably below production. Total consumption for the 12 months ended July 31, amounted to 5,360,000 bales compared with 5,700,000 bales during the previous season and 6,137,000 bales in 1932-33. It now appears that consumption during August will not be materially different from consumption during August last year, as indicated by trade comments on mill activity.

Continental Europe 1/

Abnormally small imports of raw cotton and a great reduction in takings of American staple continued to be the outstanding features of the continental cotton textile situation during June and July as well as throughout the season just ended. From August 1, 1934 to June 28, 1935, deliveries of American cotton to continental spinners amounted to only 2,262,000 bales, as compared with 3,909,000 bales in the same period last season, and 3,871,000 in the previous season.

This great decline, moreover, continues to stand out as a matter of reduced imports by the major importing countries. Smaller continental users of cotton maintaining their cotton imports during the season at a favorable level compared with 1933-34. Thus narrowed down, it develops that Germany, France, Italy and Czechoslovakia combined, from August 1, 1934 up to the date of the latest official import figures, imported 1,400,000 bales less cotton than in the same period in 1933-34, out of a reduction of 1,414,000 in the total imports of the thirteen chief continental countries, Spain only, excluded.

Developments in June on the Continent as a whole do not seem to have brought any significant change in the position of the cotton textile industry. The more satisfactory development of sales and activity which began to be reported from Italy, France and Belgium in April continued, but in other countries there was either little or no change or a further slackening, the latter, for example, in Germany and Czechoslovakia. For the Continent as a whole both sales of cotton textiles and mill activity in July apparently declined as compared with June.

Germany has been taking a minimum of raw cotton and is tending to increase imports, where possible, in the face of declining mill activity. As for most other countries, there is no pressing reason to expect further curtailment in imports; if anything, some increase is more likely. The price situation, however, will have an important bearing on buying policies in all these countries, despite the many artificial hindrances to trade.

As to the situation in individual countries, cotton trade reports indicate a fair improvement in sales of both cotton yarn and cloth in France during the latter half of June. Belgian mills continued to profit from the generally better business which has developed since the Belga devaluation. In Italy, the cotton and other branches of the textile industry are benefiting from military orders as well as from better export sales incident to the recent weakness of the lira and the export subsidies. The position in Czechoslovakia continues to be aggravated by the breakdown of the spinners' cartel, and it is likewise expected that restoration of the cartel will mean severe curtailment of production for some time. The Austrian industry fully maintained previous operations during June, but the outlook was regarded as unsatisfactory because of export difficulties, and in July the situation showed an unfavorable turn due to the decline in export sales to Rumania and a decline in domestic demand. In Germany, declining textile retail sales and the

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1/ Based largely on reports from Agricultural Attache Lloyd V. Steere at Berlin, dated July 8, and August 15.

rationing of raw cotton supplies brought about further adjustment of mill activity to current levels of retail sales and export possibilities. The raw material stocks situation seems to be slightly less pressing at the end of the season, but the future outlook for replacements is uncertain, and even discouraging. In other countries, there appeared to be no significant change, with the industries depending primarily upon domestic outlets, and the level of production being substantially maintained.

Price relationships between the different competitive cottons on European markets showed some movement in favor of non-American growths during the month of June taken as a whole, and showed no significant change during July. The lower grades of Indian cotton advanced slightly in relation to American, in June but the higher and more competitive staples declined somewhat during that month and there was a rather significant drop in Egyptian Uppers. The Indian staples, as a group, are now not far from an average relationship with American cotton, but Egyptian Uppers must be regarded as attractive at the prices recently prevailing. Exotic cottons continue to command large premiums in clearing sales to Germany.

Germany

General situation in June. A slowly but steadily declining tendency of mill sales and mill activity has been evident in the German cotton industry since early this year. June reports indicate its persistence, as well as the probability of further slow recession in July, in both the spinning and weaving sections. It is now clear that retail consumer demand, following last fall's hoarding purchases, is not supporting the level of production hitherto prevailing, and that the industry, with textile export business dragging along at bottom figures, is still finding it advisable to slacken operations.

The spread between present levels of production and of sales does not appear to be a wide one, the volume of textile retail trade for January to April 1935 is indicated to be only 5 percent below the same period in 1934, but the uncertainty as to raw material supplies is such as to necessitate careful husbanding of raw material and the adjustment of production with an eye to the future.

In conjunction with the slackening tendencies evident in the cotton textile industry in Germany, there appears to have been a certain lessening of tension in recent weeks in respect to the raw material supply situation, a view which is substantiated by a recent analysis of the German Institut für Konjunkturforschung. The development is traceable both to some increase in the average monthly imports of cotton and to the lower rate of cotton consumption. It likewise appears that there has been some relaxation of the vigor with which the artificial fibre program is being pushed, despite the recent announcement of the starting of a number of new fibre plants.

Trading in raw cotton on the Bremen market in June has continued very quiet, with some revival during the last half of the month. Some transactions in both American and Turkish cotton were reported at unchanged prices.

The cotton supply situation. The recent low point in German inland stocks of raw cotton (at mills and elsewhere in customs boundaries) was apparently first reached about February 1. At that time inland stocks dropped to around 310,000 bales, as compared with 445,000 bales in February 1934, and 318,000 bales in February 1933. Since February 1935, it appears that German inland stocks of cotton have experienced no further decline, in fact, have even risen slightly, due very largely to the pick-up in imports of raw cotton and other spinning materials as compared with the latter part of 1934. If these estimates of inland supplies accurately picture the present stocks situation in Germany, they are based on the January 31 mill and port stock figures and take into consideration the official statistics of imports and the apparent consumption of cotton as estimated from certain indices, it would appear that German raw cotton supplies are moderately low, but by no means so low as actually to cripple the industry in the near future. There are frequent, general indications of supply shortage, and occasional reports that some plants are virtually unable to obtain supplies and are working literally on a day-to-day basis, but this would appear to be exceptional and due, in part, to the strict rationing and control of supplies by the Supervisory Office for Cotton. The figures on which these conclusions are based are as follows:

Germany: Stocks, net imports and consumption of raw cotton, linters, cotton waste and artificial cotton, specified periods

Period	Estimated inlaid stocks at Bremen and in mills beginning of period	Monthly average: Net imports of raw cotton, linters, cotton waste, and artificial cotton	Monthly average: Estimated consumption of raw cotton, linters, cotton waste and artificial cotton
	1,000 bales 1/	1,000 bales 1/	1,000 bales 1/
Aug. - Jan. 1932-33 ..	194	142	121
Feb. - July 1932-33 ..	318	154	132
Aug. - Jan. 1933-34 ..	453	148	149
Feb. - July 1933-34 ..	444	155	151
Aug. - Jan. 1934-35 ..	470	100	130
Feb. - Mar. 1935	311	123	125
Apr. - May 1935	307	138	123
June - July 1935	338		

Stocks and consumption estimated by Berlin Office, United States Department of Agriculture, net imports as per official foreign trade statistics.
1/ Equivalent bales of 478 pounds, net.

The principal recent development in the cotton supply situation in Germany has been the rising tendency of imports in recent months. April - May 1935 net imports of raw cotton, linters, waste and artificial cotton, in fact, averaged 38 percent above imports in the 6 months August 1934 - January 1935. Largely increased importation from Brazil has played an important part in this development, the imports from that country having jumped from the

relatively large figure of 26,275 equivalent bales of 478 pounds in February and 22,212 bales in March to the unusual height of 50,291 bales in April. Imports of American cotton, on the other hand, have remained persistently at exceedingly low levels up to the latest date for which figures are available. The whole trend of German imports of raw cotton, to date, away from the United States to other sources of supply is clearly shown in the following table.

German imports of raw cotton, August - May, 1932-33 to 1934-35

Imports	Aug. - May 1932-33	1933-34	1934-35
	Bales of 478 pounds	Bales of 478 pounds	Bales of 478 pounds
From the United States	1,136,379	1,150,308	308,455
From other countries	299,364	493,807	635,068
Total	1,435,743	1,644,115	943,523

German imports of raw cotton, January - May, 1934 and 1935

Date	From the United States	From Brazil	From other countries	Total
	Bales of 478 pounds	Bales of 478 pounds	Bales of 478 pounds	Bales of 478 pounds
1934-				
Jan.	157,813	1/	2/ 46,020	203,833
Feb.	96,066	1/	2/ 37,755	133,821
Mar.	124,924	1/	2/ 32,908	157,831
Apr.	79,236	1/	2/ 37,317	116,553
May	96,887	1/	2/ 77,645	174,532
1935 -				
Jan.	16,922	25,823	51,504	94,249
Feb.	20,732	26,275	58,007	105,014
Mar.	24,929	22,212	59,169	106,310
Apr.	29,389	50,291	53,791	133,471
May	22,493	29,794	57,020	109,308

1/ January - May 1934, not separately reported in monthly German statistics, but included under "other countries". In the total calendar year 1934, German imports from Brazil were only 38,244 bales of 478 pounds.

2/ Including Brazil.

Despite the recent pick-up in German cotton imports it is none the less obvious from public discussion of the raw material situation and from the keen trade interest in effectuating transactions for cotton that the German authorities and the cotton trade are much concerned about the future outlook and, judging from certain rather intangible changes in attitude, are showing a disposition to regard the cotton supply situation as approaching a critical phase. The recent pick-up in imports has been due to Germany's ability to exploit current possibilities of obtaining abnormal supplies of cotton from such countries as Brazil and Turkey which have, in the past, played only minor roles. There is now apparently considerable concern as to the assurance of being able in the future to rely upon these countries to replace American cotton or even supply as much as in the past year especially on as favorable a basis. Brazil's early May prohibition on the export of important raw materials, including cotton, on a compensation or clearing basis has aroused great uneasiness. Future prospects of trading with Turkey have also been dimmed by the unsatisfactory functioning of the clearing agreement between the two countries, a development directly due to the abnormally large importations from Turkey without a corresponding increase in Turkish importations from Germany.

The outlook is considered unfavorable, moreover, for obtaining increased supplies of cotton from Egypt and India on a compensation basis. Other minor cotton producing countries may be able to supply some additional cotton, but it is being more clearly recognized that, in the last analysis, the United States will have to be looked to, to a larger degree, when other sources of supply fail.

Reichsmark cotton, i.e., cotton obtained on a clearing or compensation basis, has constituted between 50 and 60 percent of Germany's greatly restricted cotton imports during the season 1934-35.

German purchases of American cotton during the past season have been to a very large extent on a dollar basis, involving the direct allocation of foreign exchange from the Reichsbank. The Reichsmark cotton for the most part has been bought at a premium in terms of marks under both clearing and compensation trades; the premium under the clearing agreements going to the benefit of the foreign exporter, but under compensation deals being used to finance exports into the country from which the cotton was obtained. If a breach develops in this system of obtaining cotton supplies, it is clear that the supply situation in Germany will at once become considerably more difficult and that more cotton would have to be bought upon a clearing or compensation basis or efforts redoubled to increase trade both ways with the United States. (See following table).

In the efforts to secure raw material, serious attention has been given to the extent to which the cotton industry could create, through textile exports, the foreign exchange needed for cotton imports. German exports of cotton yarns and cotton goods in 1931, the year of German deflation and the great effort to improve her foreign balance, yielded 20 percent more foreign currency than the entire German cotton industry required for the importation of raw materials. In 1932, net imports of raw cotton, etc., were covered by exports of yarn and goods only to the extent of 66 percent, in 1933 by 49 percent and in 1934 to only

Germany: Imports of raw cotton, by groups of countries, August - May 1933-34 and 1934-35

Item	United States, India	Brazil, Argentina, Turkey, Soviet Russia, as well as Belgian and French Colonies 1/	Egypt, Peru, and Iran 2/	Unclassified	Total
	Bales of 478 pounds	Bales of 478 pounds	Bales of 478 pounds	Bales of 478 pounds	Bales of 478 pounds
Aug-May -					
1933-34	1,321,506	3/ 46,121	3/244,443	32,045	1,644,115
1934-35	388,729	3/336,685	195,093	23,015	943,523
Decrease	932,777	---	3/ 49,350	9,030	700,588
Increase	---	3/4/290,564	---	---	---

1/ Countries with which, in 1934-35, Germany has clearing or payment agreements.
2/ Countries which, in 1934-35, had a fairly active compensation trade with Germany.
3/ Partly estimated.
4/ This increase from 1933-34 to 1934-35 falls largely to Brazilian cotton.

approximately 44 percent. Comparing the value of net exports of cotton yarn and goods with net imports of raw cotton, etc., it appears that German net exports of the cotton industry covered only about 12 percent of the value of raw material requirements in 1934, whereas in 1933 the percentage was still 25 percent, in 1932, 33 percent, and in 1931 even 61 percent. If German exports of cotton goods could be improved in one way or another, an appreciable share of the industry's raw material requirements could be taken care of, but this offers an unpromising outlook with competitive conditions as they are now.

Czechoslovakia

Negotiations looking to the reconstruction of the Czechoslovakian spinners' cartel are continuing, and it is hoped that, following success in this effort, the cotton cloth manufacturers will also come to an agreement. The aim is reported to be to establish the spinner cartel on the basis of a domestic production quota of about 34,000,000 kilograms (74,956,000 pounds) of cotton yarn, which is equivalent to approximately 38,000,000 to 40,000,000 kilograms (83,775,000 to 88,184,000 pounds) of raw cotton . It is not yet clear whether this quota is for total yarn production or only for yarn consumed in domestic mills, and excluding an export quota, but whichever the case, the indicated quota figure, implies a drastic curtailment of raw cotton consumption. During the past several years, Czechoslovakian spinning mill consumption of raw cotton has ranged from 300,000 to 500,000 bales a year.

Domestic business in cotton yarn and cotton cloth remained unfavorable during the month of June and exports have not shown the least sign of recovery. Recently the erection of Czechoslovakian textile plants in Austria and even the transfer of textile machinery to that country has assumed larger proportions. It is reported that not only cloth mills but cotton spinning mills as well are involved in this redistribution.

Austria

Austrian cotton mill occupation during the month of June is reported to have increased somewhat as compared with May, both in the spinning and in the weaving section. Spinning mills have operated during the last several months at somewhat above single shift capacity, and weaving mills have likewise increased their operations to considerably above the comparable months of last year. Unfilled orders in cotton spinning mills have also increased appreciably during the first several months of 1935, with cotton yarn stocks rising only slightly and not more than 10 percent above the corresponding months of 1934.

Somewhat revived export business is not judged optimistically since a considerable share of these orders will never be executed because of the import and payment restrictions in the countries concerned. The new currency regulations in Rumania, which mean a further devaluation of the Rumanian currency, are of considerable hindrance to Austrian exports of cotton yarns to that country. Similarly, Austrian yarn exports to Germany, Bulgaria, and Lithuania have come to a standstill, and trading with Hungary suffers greatly from payment difficulties. Business to Yugoslavia is hampered by subsidized competition from Italy. These losses in business have been compensated only partially by a recent revival in sales of cotton yarns to Turkey, due to a reduction in Turkish takings of British supplies.

The new establishments transferring from Czechoslovakia or being erected by Czechoslovakian interests are chiefly weaving plants for which there is still room in the Austrian textile industry.

France

June reports from French cotton textile centers indicate rather hesitant conditions in cotton mill business incident to the political difficulties that prevailed in the first half of the month. In the second half, however, an important pick-up occurred in sales of yarn, and a notable improvement was recorded in the cloth mill situation during most of June. Spinning and weaving mill activity during June apparently changed but little from May levels, but maintained the gains made in that month. The situation in early July was more hopeful since the improvement in the political and currency situation.

Belgium

Continued improvement in the position of both cotton spinning and weaving mills was reported during the month of June from Belgian textile quarters as a result of the gradual improvement in the industrial situation of the country following the Belga's devaluation.

Italy

Uncertain conditions have continued in the Italian cotton industry throughout June, and it is difficult to judge to what extent the reported improvement in mill operations and general textile business is of a sound and basic character. Exports of cotton yarns and cotton goods have been stimulated in recent months by the slight depreciation of the Lira and the application of export subsidies. On the other hand, the restrictions imposed upon raw material imports have tended to increase artificially the home demand for all textile products. Orders for military purposes and the like have also increased bookings by the industry. It remains to be seen how far the basically weak economic situation of the country will sustain what has the earmarks of an artificial or temporary movement toward improvement.

Japan 1/

Cotton yarn production in Japan during June amounted to 305,000 bales of approximately 400 pounds, which was not materially different from production in each of the two previous months but was about 15,000 bales or 5 percent less than the peak production of last November and December, yet nearly 20,000 bales larger than in June last year. Production in July declined to 283,000 bales, which was about the same as in July 1934.

During May sales of cotton yarn were reported to have equaled output but sales of piece goods were only about 75 percent of output. In June sales of yarn amounted to something like 60 to 65 percent of output and sales of piece goods to only 40 percent of output. Exports of piece goods in May amounted to 235,000,000 square yards and in June to 201,000,000 compared with 266,000,000 and 223,300,000 square yards respectively in May and June last year, and 239,000,000 square yards in April. June cloth exports were 26 percent less than the peak of last March. In the first part of July, Japanese spinners were reported as buying raw cotton rather cautiously because of poor yarn prices and general feeling that piece goods business may continue low. Small mills were buying on a hand-to-mouth basis and large mills were drawing on stocks. There were practically no new forward sales of American cotton during June due to uncertainty regarding the loan policy on the new crop.

China 2/

The significant features of the Chinese cotton situation in early July and early August included the further decline of mill production and the lower yarn prices. In June and July the Chinese mills located in Shanghai were operating at about 50 percent capacity, the lowest level of production registered in the past few years. The Japanese mills in Shanghai which operated at 80 to 85 percent capacity maintained about the level of May. In the Shantung area both the Chinese and Japanese mills were operating near capacity.

1/ Based largely on reports received from Consul Donovan at Kobe.

2/ Based largely on radiograms from the Agricultural Commissioner's office at Shanghai dated July 13 and August 13.

The quotation on July 12 for September delivery was 15.21 cents per pound of yarn, the lowest price on record during the past 15 years, and in view of the fact that the prices of raw cotton had not declined, the losses in connection with spinning increased considerably. Although yarn prices advanced some between early July and early August the advance was not in proportion to the advance in raw cotton; consequently spinning losses increased still further. Japanese mills have within the last several weeks reduced their yarn prices below those of Chinese, with the result that they have slightly increased their share in the total yarn sales. On the whole, yarn sales have not been large; the demand is poor and merchants are buying only small quantities. Yarn stocks increased slightly during June, but they are smaller than those on hand during the same month of 1934.

Acreage, Production and Crop Conditions

United States

The acreage of cotton in cultivation in the United States on July 1 was estimated by the Crop Reporting Board at 29,166,000 acres. This is 4.6 percent more than the acreage on July 1, 1934 but 28.6 percent less than the average acreage for the 5-year period 1929-1933. With the exception of last year's very small acreage, the area in cultivation on July 1 this year was the smallest since 1905.

All of the major States except Oklahoma showed an increase in acreage in cultivation ranging from 4 percent in North Carolina to 10 percent in Louisiana. In Oklahoma the estimated acreage was 7 percent less than in 1934, due partly to unfavorable weather conditions and partly to a relatively high percentage of acreage under contract with the Agricultural Adjustment Administration for the first time, according to the Crop Reporting Board. In all States, increases permitting producers to sign 2-year acreage reduction contracts in 1934 were partly offset by reductions made by producers signing contracts this year for the first time.

On the basis of the 10-year average abandonment and the acreage in cultivation July 1 the indicated area to be harvested is 28,480,000 acres. This together with an average yield, which on the basis of August 1 conditions was forecast at 198.3 pounds per acre, resulted in a forecast by the Crop Reporting Board of 11,798,000 bales. If realized this will be 2,162,000 bales more than the 1934 crop, but about 2,868,000 bales or 20 percent less than the average for the 5 years 1928-1932 and approximately 20 percent smaller than the average for the 10 years 1923-1932.

The Crop Reporting Board's forecast of production was not greatly different from the average expectations of the members of the cotton trade.

India

The area planted in cotton in all of India up to August 1 has been estimated by the Indian Government at 14,494,000 acres, according to a cable from Calcutta dated August 17. This represented an increase of 11.6 percent over the revised estimate of the area planted to the same date last year of 12,991,000 acres, and is 158,000 acres, or 1 percent less than the average for the 5 years ended 1932.

On the average, about 60 percent of the total cotton acreage is planted up to August 1, but this varies from year to year depending upon weather conditions and the proportion of the crop planted through the various producing regions. It is not known how planting is running this year, early or late. However, statistical analyses of the relation of cotton acreage to the price of cotton and other commodities in India indicated that the total 1935-36 acreage might, with normal weather conditions, be 5 to 10 percent larger than the latest estimate of the total area planted in 1934-35.

In the important cotton producing area, Punjab, the area planted in cotton up to August 1 was estimated at 2,808,000 acres. This was 15 percent larger than a year earlier and 29 percent larger than the average for the 5 years ended 1932. The condition of the crop in this area on August 1 was reported at 98 percent of normal.

Egypt

The Egyptian Government estimates the 1935-36 Egyptian cotton acreage at 1,733,000 acres. This represents a decrease of 65,000 acres, or 4 percent compared with 1934 and is slightly smaller than in 1933. Statistical analyses of the relation of cotton acreage in Egypt to cotton prices and grain prices indicated that in view of the marked increase in the prices received for grains in 1934-35 the acreage planted to cotton in 1935 would be lower than in 1934. Unofficial reports indicate that the acreage in Sakellaridis was reduced considerably more than the total and that the acreage in some of the newer varieties increased. In addition to the smaller acreage there has been an unusually heavy invasion of the cotton leaf worm, although recent reports indicate that the damage has not been very great.

Brazil

No official information has been received from Brazil pertaining to the 1935-36 crop except that which was carried in the last issue of World Cotton Prospects, which was that the Brazilian Government had preliminarily estimated that the crop which is now being harvested in North Brazil (the 1935-36 crop) is expected to total 1,086,000 bales of 478 pounds. This is 348,000 bales or 47 percent larger than the record production of these States in 1934-35 and is 152 percent larger than the average for this region during the 10 years ended 1932-33.

Russia 1/

The cotton-sowing plan in Russia was reported fully executed early in June, with the bulk of the cotton area sown earlier than last year. The plan called for an acreage of about 4,800,000 acres which is slightly larger than the 1934-35 acreage, reported as 4,764,000 acres. Weather conditions during the Spring were more favorable than a year earlier. Toward the latter part of May, a considerable drop in temperatures was experienced throughout the cotton-growing regions of the Union, but, aside from local damage, cotton is not reported to have been affected adversely by these conditions. Some backwardness in growth, however, is evident.

1/ Based largely on a report from Agricultural Attache L. V. Steere at Berlin, dated July 8.

The main problem as indicated in June was that of timely cultivation and irrigation of the cotton fields. Conditions in this respect are not particularly favorable although better than a year earlier. On June 5, 87 percent of the total acreage under cotton in Middle Asia had received a first cultivation and 26 percent a second working. The situation continued unfavorable with respect to irrigation, with only 27 percent of the acreage watered by June 1 for the first time and 6.7 percent for the second time. This is in part due, it appears, to low water levels in some of the irrigation channels, but also to poor organization and planning of the campaign.

Despite these drawbacks, the condition of the cotton plant is reported favorable and better than a year ago.

Manchuria

Due to unfavorable weather conditions, the 1935 Manchurian cotton acreage has been estimated at about 30 percent below last year's estimate of 228,000 acres, according to information received through the Agricultural Commissioner at Shanghai from American Consul General Ballantine at Mukden. According to this report, winter weather was unusually dry and practically no rain fell during the planting season. A large percentage of the cotton planted either failed to germinate or failed to grow and farmers replanted to other crops. Since the end of May, rains in the cotton-growing regions of Manchuria have been heavy and were excessive for young cotton plants. A large percentage of this year's cotton acreage was reported to be in improved upland varieties.

China

The Chinese Cotton Statistics Association recently made its first estimate of the 1935-36 cotton crop in China in which it placed the crop at 2,676,000 bales of 478 pounds and the acreage at 5,498,000 acres. The final estimate of the 1934-35 crop was 3,125,000 bales produced from 6,827,000 acres. These preliminary estimates of the 1935-36 crop, therefore, indicate a 14 percent reduction in production and a 19 percent reduction in acreage. The indicated reductions in acreage and production are apparently due to unfavorable weather. According to radiograms from the Agricultural Commissioner's Office at Shanghai received just prior to the issuance of the Chinese Cotton Statistics Association's estimate of acreage and production, the acreage in the Yangtze Valley is thought to be slightly larger than in 1934, while in northern China the acreage and production are thought to be well below last season due to dry weather in the early part of the season and to rather severe floods more recently.

Mexico

The Mexican Government released its first official estimate of the 1935 cotton crop in Mexico in late July, which placed the probable production at 198,000 bales of 478 pounds net, according to a report received from P. A. Norris of this Bureau, who was in Mexico studying production and marketing of cotton. The crop in 1934 was estimated at 225,000 bales and the 1933-34 crop at 260,000 bales. While no estimate has been received of the 1935 acreage, all of the information available indicates that unfavorable weather is responsible for the smaller prospective crop.

Several months ago it was reported that plowing and other preparations had been made for increasing the 1935 acreage planted to cotton by more than 50 percent in the Matamoras Consular District which usually occupies third place among the cotton growing regions of Mexico. A severe drought which extended to the end of March, freezes and frosts in January and February, and heavy damage from the floods of the Rio Grande around the middle of June apparently reduced the crop in this district by as much as 50 to 80 percent from what it might have been with average weather conditions. The present estimate of production in this region is less than half as large as last year and the reduction there represents more than the estimated reduction in the entire Mexican crop.

Chosen

The 1935 cotton acreage in Chosen is now estimated at 539,000 acres compared with 474,000 acres in 1934-35 or an increase of 14 percent, despite unusually dry weather at planting time, according to American Consul Langdon, at Seoul. Heavy rains since planting time have fallen throughout the cotton-growing area and have relieved drought conditions according to the report. With average summer weather, cotton production is expected to be much above last season.

Cotton: Exports from United States, India and Egypt to specified countries, for specified periods

Country of origin and destination	June: 10-yr. av. 1923-24 to 1932-33	June: 1933	June: 1934	June: 1935	June: 1935 as a percentage of 1934	Aug. 1 to June 30: 10-yr. av. 1923-24 to 1932-33	Aug. 1 to June 30: 1932-33	Aug. 1 to June 30: 1933-34	Aug. 1 to June 30: 1934-35	Aug. 1 to June 30: 1934-35 as a percentage of 1933-34
	1,000 running bales	1,000 running bales	1,000 running bales	1,000 running bales	Percent	1,000 running bales	1,000 running bales	1,000 running bales	1,000 running bales	Percent
From United States:										
United Kingdom ..	59	142	56	48	85.7	1,693	1,367	1,223	708	57.7
France	24	52	12	20	166.7	801	820	704	353	50.1
Italy	36	59	27	42	155.6	645	750	629	455	72.3
Germany ...	68	134	46	32	69.6	1,748	1,730	1,274	319	25.0
Japan	52	95	135	93	68.9	1,211	1,549	1,772	1,468	82.8
China	20	37	103	2	1.9	270	279	328	108	32.9
Other countries	86	96	80	108	135.0	1,215	1,232	1,298	1,108	85.5
Total	342	615	459	345	75.2	7,583	7,727	7,229	4,519	62.5
	1,000 bales of 478 lbs.	1,000 bales of 478 lbs.	1,000 bales of 478 lbs.	1,000 bales of 478 lbs.	Percent	1,000 bales of 478 lbs.	1,000 bales of 478 lbs.	1,000 bales of 478 lbs.	1,000 bales of 478 lbs.	Percent
From British India:										
United Kingdom ..	15	30	20	34	170.0	164	177	283	294	103.9
Germany ...	16	21	9	9	100.0	180	140	189	108	57.1
France	15	14	6	11	183.3	134	120	113	108	95.6
Belgium ...	16	9	8	14	175.0	173	107	119	138	116.0
Japan	106	129	211	119	56.4	1,206	1,131	1,044	1,323	126.7
China	34	15	21	5	23.8	288	122	273	86	31.5
Italy	22	26	14	14	100.0	277	156	193	224	116.1
Other countries	14	14	12	16	133.3	149	89	192	187	97.4
Total	238	258	301	222	73.8	2,571	2,042	2,400	2,458	102.6
From Egypt:										
United Kingdom ..	35	40	38	24	85.7	542	422	667	430	64.5
British India	3	2	4	6	150.0	34	26	49	109	222.4
United States	7	5	2	2	100.0	160	54	94	52	55.3
France	13	21	12	15	125.0	160	181	202	188	93.1
Germany ...	7	11	14	10	71.4	100	159	212	126	59.4
Italy	7	10	9	5	55.6	93	91	138	137	99.3
Japan	4	6	8	6	75.0	62	75	113	178	157.5
Other countries	15	20	21	25	119.0	221	200	293	351	119.8
Total	90	117	98	93	94.9	1,382	1,208	1,768	1,571	88.9

Division of Statistical and Historical Research, Bureau of Agricultural Economics. Compiled from official sources; current data for exports from India and Egypt from cables.

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